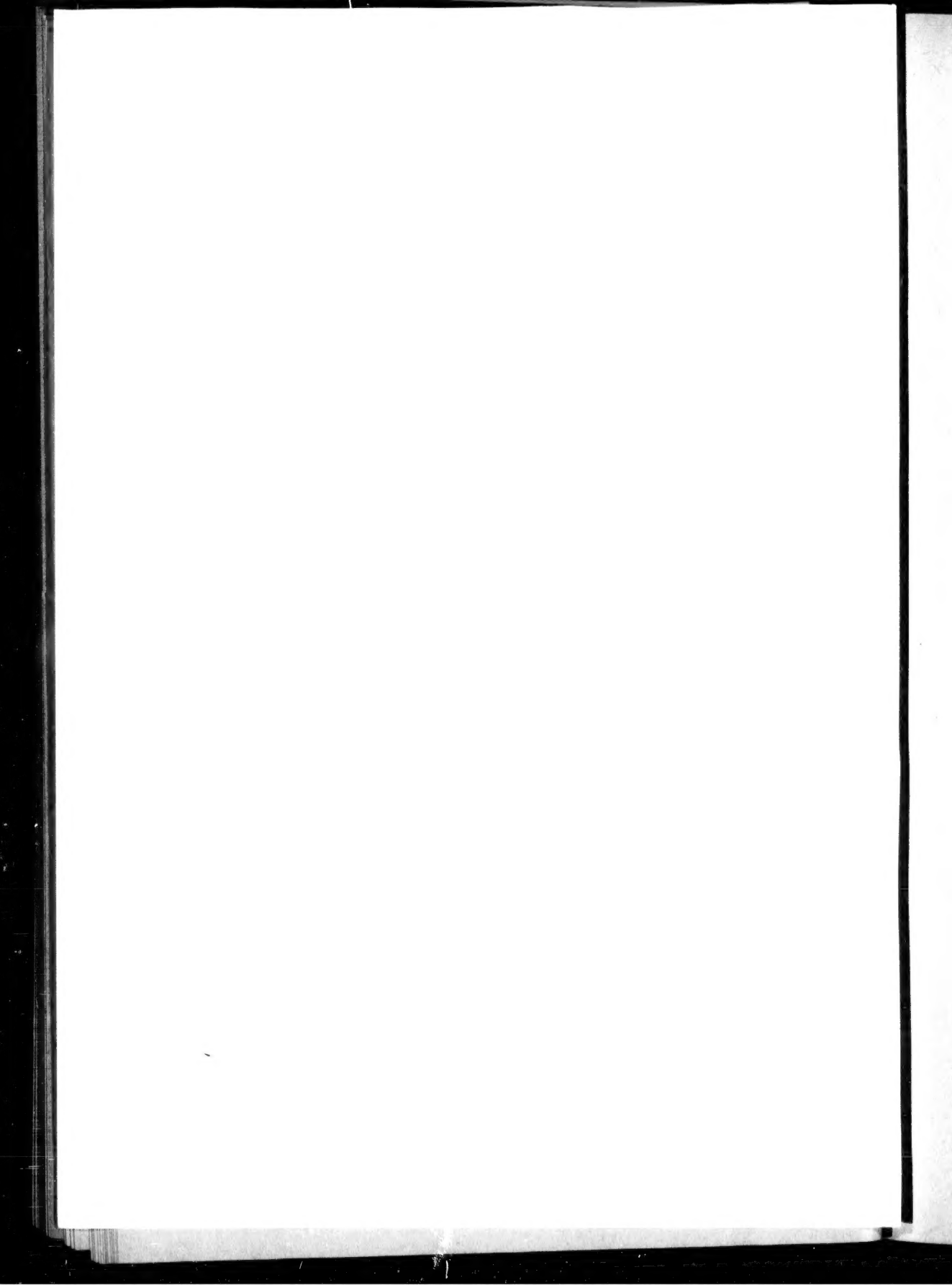




No. 5.

INFORMATION FOR THE ELECTORS.

PUBLIC EXPENDITURE.

THE PUBLIC EXPENDITURE.

Perhaps no one aspect of administration has been more persistently misrepresented in late years by the Opposition than the public expenditure. It is an easy matter to make assertions, to distort facts, to magnify figures, and the vicious habit seems to have grown upon Liberal writers and speakers until it has become a sort of second nature with them. We propose, however, to deal with the important subject of the expenditure not in the terms of stump oratory, but in a plain matter-of-fact way, taking the figures from the official records, and setting them forth without gloss or subterfuge, so that an intelligent appreciation of the exact position of the finances may be formed.

In the first place, then, it obviously gives no clue to the real state of things to say that fifteen or twenty years ago the total expenditure was twenty-five million dollars, whereas it is now thirty-five millions. We must also know for what purposes and to what advantage the additional money is spent. There are hundreds of merchants in Canada who to-day are paying out for salaries, rents and other expenses two or three times as much as they paid for like services twelve or fifteen years ago; yet no

one will be so stupid as to say the additional expenditure is an evidence of business incapacity, of extravagance and the like. Before an opinion on the point is formed, it must first be ascertained whether the business and profits of the merchant have increased in a similar ratio to the expenditure, and when such is the case, the greater cost of carrying on operations is found to be an evidence of prudent and successful management. So with the finances of a country. Before judgment can be passed on the expenditure we must understand the uses to which the money is put.

The public expenditure naturally resolves itself into four distinct classes, namely: (1) charges arising out of the debt; (2) subsidies to provinces; (3) collection of revenue; (4) other expenditure. The charges on debt consist of interest and sinking fund to form the latter, the Government putting aside every year a certain amount of money to reduce the debt. This has steadily increased since Confederation with scarcely any interruption, as might be expected in the case of a young country whose resources await development, whose means of intercommunication have to be provided, whose transportation facilities have to be improved, for which purposes debt is necessarily and very wisely incurred. When some years ago Sir Richard Cartwright went to London as Finance Minister, for the purpose of negotiating a loan, he issued a circular to the capitalists of England, setting forth the amount of Canada's debt, every dollar of which he stated had been incurred for "works of public utility." The same statement can with equal truth be made of the debt to-day. The interest on the debt, which amounts to nearly one-third of the total ordinary expenditure, has increased thus :—

1873.....	\$5,387,850	1887.....	\$9,970,671
1879.....	7,472,657	1888.....	10,166,905
1885.....	9,806,977	1889.....	10,422,521
1886.....	10,483,929	1890.....	9,887,250

There are two or three points in connection with this statement worth reflecting upon. It will be observed, for instance, that for the last six years the interest charge has been practically

stationary, the cost of carrying the debt being no more in 1890 than in 1885. This very satisfactory result is attributable in large measure to the constantly improving credit of Canada in the money markets of the world, whereby the rate of interest has been reduced as low as 3 per cent. on Canadian loans. Another point of importance is that while in the six-year period, 1873-1876, the interest charge increased \$2,085,000, or by nearly 40 per cent.; in the eleven-year period, 1879-1890, the increase in the interest charge was \$2,415,000, or only a fraction over 30 per cent. To put the case in another way: the average annual increase in the interest charge during Liberal rule was \$347,500, as against an increase of only \$219,550 during eleven years of Conservative rule.

The expenditure for the sinking funds requires a brief word of explanation. It represents purchases of our own bonds in the London market, that is to say it is an investment of revenue for the cancellation of debt, and the more money employed in this way, the more rapidly will the debt be reduced. In the first year after Confederation \$355,260 was set apart for the sinking funds; in 1878, the amount was \$945,746; and in 1890, it was \$1,887,240.

The expenditure represented by subsidies to the provinces, also, calls for little comment. These appropriations are made each year in accordance with the terms of the Constitution, and are not in any sense a matter of party politics, nor should they be regarded as a source of taxation, since the expenditure simply represents payment of the peoples money to the Local government by way of the Federal treasury, instead of by way of direct taxation, as would be necessary if the subsidies were abolished. The amount paid as subsidies in 1878 was \$3,472,807; and in 1890 it was \$3,904,922.

The expenditure for the collection of revenue calls for closer examination. In a general way it may be described as like that of the merchant or manufacturer whose expenses increase with the growth of business or the extension of his field of operations. For example, under the head "collection of revenue" is included the expenditure on the postal service, for the working of the

Intercolonial and of the Prince Edward Island railways, for working the canals, for the administration of Dominion lands, and of course, for the collection of customs and excise duties. As these several services grow it will be readily understood the expense of managing them must increase; but, on the other hand the revenue correspondingly expands. Take the case of the postal service. It is established, not as a money-making business, but for the convenience and advantage of the public. The government acts on the principle of giving the best possible postal service the revenue will permit, and we may add that in no other country in the world is so efficient a postal system in operation. If the growth of revenue keeps pace with the growth of expenditure, the real cost of the postal service does not increase, and from the taxpayers point of view he can regard a rising scale of expenditure with equanimity. It is the **net** cost only that interests him. So with the railways and canals operated by the government—the enlargement of traffic involves additional cost for handling, but inasmuch as the revenue is also increased, the net cost, in other words, the burden on the taxpayer, is not augmented one penny. The following is a statement of the revenue received and the cost of collecting it under Liberal and under Conservative administration:—

	Revenue.	Cost of collection.
1873.....	\$20,813,470	\$3,395,475
1878.....	22,375,011	5,301,124
1890.....	39,879,925	9,182,941

Now, it will be observed that the Liberals in their term of office increased the collections of revenue by \$1,562,000, but they spent \$1,906,000 more in the doing of it, leaving the finances \$350,000 worse off as the result of their methods; whereas, under twelve years of Conservative rule the revenue has increased \$17,500,000, at an additional cost for collection of only \$3,881,000.

It may be answered, however, that the tariff is higher to-day than in 1878, and that it is unfair to include customs and excise revenue in the comparison above instituted. Very well: we will

examine the result of the administration of the two parties in respect of the Post Office and Public Works. Here it is:—

REVENUE.

	1873.	1879.	1890.
Post Office.....	\$ 833,657	\$1,172,418	\$2,357,388.
Public Works.....	1,316,635	1,863,149	3,800,110.
Totals.....	\$2,150,292.	\$3,035,567.	\$6,157,498.

EXPENDITURE.

	1873.	1879.	1890.
Post Office.....	\$1,067,866	\$1,784,423	\$3,074,469
Public Works.....	1,496,185	2,680,979	4,548,546
Totals.....	\$2,564,051.	\$4,465,402.	\$7,623,015.

During their term of office, the Liberals increased the **NET** expenditure upon the above services from \$413,759 to \$1,429,835, and although in 1890 the **NET** expenditure was \$1,465,617, or practically the same as eleven years before as a rule the excess of expenditure over revenue has been much less of late years.

There is another fact to be emphasized in this connection, namely, that although the total expenditure for Post Office and Public Works has increased \$3,150,000 since the Liberal party retired from office, **the expenditure involving taxation has not increased one dollar**, the revenue having kept pace with the enlarging cost of operation. We come now to the item of "other expenditure," the term including the cost of civil government, legislation, the administration of justice, the militia, the fisheries, the mounted police, the care of the Indians, immigration, lighthouse and coast service, mail subsidies, ocean and river service, and public works chargeable to revenue. If any timid persons are disposed to fear that the expenditure for these services is mounting up too rapidly, they may derive satisfaction and comfort from the fact that the outlay in 1890 was less than in any preceding year since 1883. They may, also, with pertinence, be reminded that between 1871 and 1876 the general expenditure,

other than for interest, provincial subsidies and collection of revenue, ran up from \$4,610,000 to \$8,570,000, and was fourteen years ago only about two and a half millions less than in 1890.

There is one prime fact always to be borne in mind, that is that **the public expenditure has not increased in six years.** Here are the figures of the total expenditure on account of the consolidated fund:—

1885.....	\$35,037,060	1888.....	\$36,718,494
1886.....	39,011,612	1889.....	36,917,834
1887.....	35,657,680	1890.....	35,994,031

It has been shown already that the subsidies to provinces, purchases for the sinking fund, and expenditure for the collection of revenue do not constitute sources of taxation as the term is understood. They are in the nature either of an investment, a re-payment of revenue, or an outlay covered by new revenue without additional taxation. To arrive at a fair comparison of expenditure under the two political parties, therefore, it is proper to deduct the above enumerated charges from the total expenditure, as thus:—

1876.		
Total Expenditure.....		<u>\$24 488,372</u>
LESS—		
Subsidies to Provinces.....	\$3,690,355	
Sinking Fund.....	822,953	
Collection of Revenue.....	4,796,238	
	<u>\$9,309,546</u>	
Leaving a balance of.....		<u>\$15,178,826</u>
1890.		
Total Expenditure.....		<u>\$35,994,031</u>
LESS—		
Subsidies	\$3,904,922	
Sinking Fund.....	1,887,237	
Collection of Revenue.....	9,182,941	
	<u>\$14,975,100</u>	
Leaving a balance of.....		<u>\$21,018,931</u>

Now putting aside altogether consideration of the new charges which have devolved on the Government since 1876 by means of the opening up of the North-West, the position of the public expenditure, exclusive of subsidies, sinking fund, and collection of revenue is this:—

	Expenditure.	Population.	Per head.
1876.....	\$15,178,820	3,900,000	\$3.90
1890.....	21,018,930	5,200,000	\$4.04

The increase in the public expenditure in fourteen years has, therefore, been fourteen cents per head, at the rate of one cent annually, or $3\frac{1}{2}$ per cent. for the whole term, and at this insignificant cost the Government has been able to build the Canadian Pacific Railway, organize the North-West Territories, enlarge the canals, devote many millions in aid of railway construction, establish experimental farms, grant a bounty to fishermen, feed the Indians, and protect the settlers in the North-West, establish a permanent military force, effectively guard our fishing rights, and accomplish a multitude of other works calculated to promote the prosperity and happiness of the people.